

State of Kansas

Employee Award and Recognition

Program Procedures

Monetary Awards

Monetary awards are paid through the payroll system and included in taxable gross income, and are subject to all applicable taxes and employer contributions. These include federal and state withholding taxes, OASDI, Medicare, Unemployment Compensation Insurance, Workers Compensation Insurance, and State Leave Assessment. Monetary awards are not subject to deductions under the Kansas Public Employees Retirement System (KPERS).

All awards should be entered in the next on cycle payroll by adding the appropriate earnings code and gross pay dollar amount to the SHARP employee timesheet for the pay period. Regents institutions should add the appropriate earnings code and gross pay dollar amount to the pay detail interface file for the pay period.

The following earnings codes for monetary awards should be entered directly on SHARP employee timesheets with the appropriate dollar amount (Go > Administer Workforce > Time and Leave > Use > Employee > Time Entry Daily). Do not enter them on the Bonus Pay panel.

New Monetary SHARP Earnings Codes:

(adds to taxable grosses; adds to gross pay; does not add to KPERS gross)

- DAA- Distinguished Accomplishment Award
- INA- Innovation Award
- KQA- Kansas Quality Management Award
- LNA- Length of Service Award (Not the same as Longevity)
- MSA- Meritorious Service Award

Inactivated SHARP Earnings Code:

- QBP – Quality Bonus Payment

Nonmonetary Awards

Nonmonetary awards are included in taxable gross income and are subject to all applicable taxes and employer contributions (same as monetary awards) unless they can be excluded or partially excluded from income for the following reasons:

- 1) The award is considered a “*de minimis* fringe benefit” under IRS Code Section 132. Any nonmonetary award that meets the *de minimis* rule for exclusion from taxable income does not need to be reported through the payroll system. Gift certificates redeemable for cash are generally not excludable as *de minimis*.

A “*de minimis* fringe benefit” is any property or service of which the value is so small as to make accounting for it unreasonable or administratively impractical after taking into account the frequency with which similar fringes are provided by the employer to employees.

Generally, the **frequency** is determined by reference to the frequency with which the employer provides the fringes to each individual employee. For example, if an employer provides a \$20 nonrefundable gift certificate to one employee every month, but not to any other employee, the value of the gift certificate is not *de minimis* with respect to that one employee, even though with respect to the employer’s entire workforce the gift certificate is provided “infrequently”. The following are some examples of fringe benefits and awards which are considered *de minimis*:

- group meals or picnics for employees and their guest;
- traditional birthday or holiday gifts of property (not cash) with a low fair market value;
- occasional theatre or sporting event tickets;
- coffee, donuts, and soft drinks; and
- flowers, fruit, books, or other similar property provided to employees under special circumstances.

This is not an exclusive list and other awards could be considered *de minimis* as well. It is conceivable that if an agency very infrequently gives out high-cost awards then an argument could be made that those are *de minimis* as well.

- 2) The award is considered an “employee achievement award” under IRS Code Section 74. The term “employee achievement award” is an item of tangible personal property that meets all the following requirements:

- It is given to the employee for length of service* or safety achievement**;
- It is awarded as part of a meaningful presentation; and
- It is awarded under conditions and circumstances that do not create a significant likelihood of disguised pay.

*Length-of-service award: An award will not qualify as a length-of-service award if the employee receives the award during his or her first 5 years of employment or the employee received another length-of-service award (other than one of very small value) during the same year or in any of the prior 4 years.

**Safety achievement award: An award will not qualify as a safety achievement award if it is given to a manager, administrator, clerical employee, or other professional employee; or if during the tax year more than 10% of employees, excluding those listed above, have already received a safety achievement award (other than one of very small value).

If the total value of all achievement awards is over \$400 in a calendar year, the amount in excess of \$400 must be reported as income to the recipient using the NMA earns code (see below).

Payments to vendors for all nonmonetary awards should be processed on STARS payment vouchers using expenditure sub-object code 2980.

Nonmonetary awards that do not meet the *de minimis* rule should be entered in the next on cycle payroll by adding the appropriate earnings code and dollar amount to the SHARP employee timesheet for the pay period. Regents institutions should add the appropriate earnings code and dollar amount to the pay detail interface file for the pay period.

The following earnings code should be entered directly on SHARP employee timesheets with the appropriate dollar amount for taxable nonmonetary awards that do not meet the *de minimis* rule. (Go > Administer Workforce > Time and Leave > Use > Employee > Time Entry Daily). Do not enter them on the Bonus Pay panel.

New Taxable Nonmonetary Earnings Code:

(adds to taxable grosses; does not add to gross pay or to KPERS gross)

- NMA- Nonmonetary taxable award

Contact Information

For program guidelines, refer to the Employee Award and Recognition Program Guidelines or contact Kraig Knowlton at (785) 296-1082 or by email at: Kraig.Knowlton@da.state.ks.us

For SHARP questions, contact Brent Smith in the Division of Personnel Services at (785) 296-1432 or by email at: Brent.Smith@da.state.ks.us

For STARS questions, contact Annette Witt in the Division of Accounts and Reports at (785) 296-8083 or by email at: Annette.Witt@da.state.ks.us

For Payroll Tax questions, contact Sunni Zentner in the Division of Accounts and Reports at (785) 296-7058 or by email at: Sunni.Zentner@da.state.ks.us